

26 CFR 601.201: Rulings and determination letters.
(Also: Part I, Sections 832, 846; 1.832-4, 1.846-1.)

Rev. Proc. 2019-06

SECTION 1. PURPOSE

This revenue procedure prescribes unpaid loss discount factors for the 2018 accident year for use in computing discounted unpaid losses under § 846 of the Internal Revenue Code. The unpaid loss discount factors also serve as salvage discount factors for the 2018 accident year for use in computing discounted estimated salvage recoverable under § 832. The discount factors prescribed herein were determined under § 846, as amended by section 13523 of the Tax Cuts and Jobs Act, Pub. L. No. 115-97 (December 22, 2017) (“TCJA”), and proposed regulations under § 846 (REG-103163-18) published in the Federal Register (83 FR 55646) on November 7, 2018 (the “proposed regulations”). If necessary after the proposed regulations are published as final regulations, the Department of the Treasury (the “Treasury Department”) and Internal Revenue Service (“IRS”) intend to publish for each property and casualty line of business revised unpaid loss discount factors for the 2018 accident year for use in taxable years ending on or after the date the final regulations are published.

SECTION 2. BACKGROUND

.01 Modification of Discounting Rules

(1) Section 13523 of the TCJA amended § 846 for taxable years beginning after December 31, 2017. Section 13523(a) and (b) of the TCJA amended the definition of annual rate under § 846(c) and the computational rules for loss payment patterns under § 846(d), respectively. Section 13523(c) of the TCJA repealed the election that was previously set forth in § 846(e) to use the taxpayer's own historical loss payment pattern instead of the pattern published by the Secretary.

(2) Section 13523(e) of the TCJA provides the transitional rule for the application of the amendments in the first taxable year beginning after December 31, 2017, and for subsequent taxable years (the "TCJA transition rule"). Specifically, section 13523(e) provides that, for the first taxable year beginning after December 31, 2017, the unpaid losses and expenses unpaid (as defined in § 832(b)(5) and (6)) at the end of the preceding taxable year, and the unpaid losses (as defined in §§ 805(a)(1) and 807(c)(2)) at the end of the preceding taxable year, are determined as if the amendments made by section 13523 of the TCJA had applied to the unpaid losses and expenses unpaid in the preceding taxable year and by using the interest rate and loss payment patterns applicable to accident years ending with calendar year 2018. The resulting adjustment (the "TCJA adjustment"), if any, is included in the taxpayer's gross income ratably over an eight year period (the "TCJA period of adjustment," which is the first taxable year beginning after December 31, 2017, and the seven succeeding taxable years). Section 13523(e) also provides that, for subsequent taxable years, the amendments made by section 13523 are applied with respect to unpaid losses and

expenses unpaid for accident years ending with or before calendar year 2018 by using the interest rate and loss payment patterns applicable to accident years ending with calendar year 2018. Loss payment patterns for the 2017 determination year were previously prescribed in Rev. Proc. 2018-13, 2018-7 I.R.B. 356. In Rev. Proc. 2018-13, the Treasury Department and IRS also announced the intention to publish revised loss payment patterns for the 2017 determination year in accordance with the TCJA transition rule.

.02 Proposed Regulations

(1) Section 1.846-1(c) of the proposed regulations provides that the annual rate for any calendar year is the average of the monthly spot interest rates on corporate bonds with times to maturity of not more than seventeen and one-half years based on a yield curve that reflects the average, for the most recent 60-month period ending before the beginning of the calendar year, of monthly yields on corporate bonds described in § 430(h)(2)(D)(i).

(2) Section 1.846-1(d)(1) of the proposed regulations provides that, in general, the loss payment pattern determined by the Secretary for each line of business is determined by reference to the historical loss payment pattern applicable to such line of business determined in accordance with the method of determination set forth in § 846(d)(2) and the computational rules prescribed in § 846(d)(3) on the basis of data from annual statements described in § 846(d)(2)(A) and (B). However, under § 1.846-1(d)(2) of the proposed regulations, the Secretary may adjust the loss payment pattern for any line of business using a methodology described by the Secretary in other

published guidance if necessary to avoid negative payment amounts and otherwise produce a stable pattern of positive discount factors less than one.

.03 Discount Factors for Accident Year 2018 and Prior Accident Years

(1) The discount factors prescribed in this revenue procedure are determined by using the applicable interest rate for accident year 2018 under § 846(c) and the proposed regulations and revised loss payment patterns determined by the Secretary for the 2017 determination year under § 846(d) and the proposed regulations.

(2) Pursuant to § 846(c) and the proposed regulations, the Secretary has determined that the annual rate for the 2018 calendar year is 3.12 percent, compounded semiannually. This annual rate is the average of the monthly spot rates on corporate bonds with times to maturity of not more than seventeen and one-half years based on a yield curve that reflects the average of monthly yields on corporate bonds described in § 430(h)(2)(D)(i) for the period from January 2013 through December 2017 (that is, the most recent 60-month period ending before the beginning of the 2018 calendar year).¹

(3) Pursuant to § 846(d) and the proposed regulations, the Secretary has determined a revised loss payment pattern for each property and casualty line of business for the 2017 determination year for use with respect to unpaid losses incurred in accident year 2018 and prior accident years. The revised loss payment patterns for the 2017 determination year are based, initially, on the aggregate loss payment

¹ The published yield curve spot rates can be found at <https://home.treasury.gov/data/treasury-coupon-issues-and-corporate-bond-yield-curve/corporate-bond-yield-curve>.

information reported on the 2015 annual statements of property and casualty insurance companies and compiled by A.M. Best and Co. The lines of business for the 2017 determination year are the same as the lines of business for the 2012 determination year. See Rev. Proc. 2012-44, 2012-49 I.R.B. 645. Losses are reported on the annual statement net of losses on reinsurance ceded, but include losses on assumed proportional reinsurance. Losses with respect to assumed non-proportional reinsurance are reported in three separate lines of business (for property, liability, and financial reinsurance). The loss data include defense, cost containment, adjusting, and other loss expenses, but are not reduced for salvage and subrogation receipts.

(4) Pursuant to § 1.846-1(d)(2) of the proposed regulations, the Secretary may adjust the loss payment pattern for any line of business using a methodology described by the Secretary in other published guidance if necessary to avoid negative payment amounts and otherwise produce a stable pattern of positive discount factors less than one. For the 2017 determination year, only one line of business requires adjustments under the proposed regulations. That line of business is Other Liability – Claims Made. The initial payment pattern results in negative payment amounts for the fifth, seventh, and ninth years after the accident year. Therefore, the payment amounts for the fourth through the ninth year after the accident year are adjusted following the steps listed in the preamble to the proposed regulations. See 83 FR 55646.

SECTION 3. SCOPE

This revenue procedure applies to any taxpayer that is required to discount unpaid losses under § 846 for a line of business using the discount factors published by

the Secretary, and also applies to any taxpayer that is required to discount estimated salvage recoverable under § 832. This revenue procedure applies to taxable years beginning after December 31, 2017.

SECTION 4. TABLES OF DISCOUNT FACTORS

.01 The tables in this section 4 present separately for each line of business the unpaid loss discount factors under § 846 for use in the first taxable year beginning after December 31, 2017, and for use in calculating the TCJA adjustment. All of the discount factors presented in these tables are determined by using the applicable interest rate for 2018 under § 846(c) and the proposed regulations, which is 3.12 percent, compounded semiannually, and the revised payment patterns for the 2017 determination year determined by the Secretary under § 846(d) and the proposed regulations. All of the discount factors presented in these tables are determined by assuming all loss payments occur in the middle of the calendar year.

.02 Tables 1 and 2 present separately for each line of business the unpaid loss discount factors under § 846 for use in the first taxable year beginning after December 31, 2017. Any taxpayer using discount factors prescribed in Tables 1 and 2 to compute discounted unpaid losses under § 846 for its first taxable year beginning after December 31, 2017, must use the discount factors prescribed in Tables 1 and 2 with respect to all of its property and casualty lines of business and, consistent with the TCJA transition rule, must use the discount factors prescribed in Tables 1 and 2 for all accident years ending with or before calendar year 2018. The taxpayer also must use the discount factors prescribed in Tables 1 and 2 as the salvage discount factors for the 2018

accident year and all prior accident years for purposes of determining estimated salvage recoverable under § 832 with respect to all of its property and casualty lines of business for its first taxable year beginning after December 31, 2017.

.03 Consistent with the TCJA transition rule, any taxpayer using the discount factors prescribed in Tables 1 and 2 for its first taxable year beginning after December 31, 2017, must, for that taxable year, use the discount factors prescribed in Tables 3 and 4 for purposes of determining the unpaid losses and expenses unpaid (as defined in § 832(b)(5) and (6)) at the end of the preceding taxable year, and the unpaid losses (as defined in §§ 805(a)(1) and 807(c)(2)) at the end of the preceding taxable year. The taxpayer also must, for its first taxable year beginning after December 31, 2017, use the unpaid loss discount factors prescribed in Tables 3 and 4 to determine the amount of the TCJA adjustment to be taken into account in that taxable year and, unless revised discount factors have been published, the amount of the TCJA adjustment to be taken into account in subsequent taxable years.

.04 Section V of Notice 88-100, 1988-2 C.B. 439, sets forth a composite method for computing discounted unpaid losses for accident years that are not separately reported on the annual statement. Tables 1 through 4 separately provide discount factors for taxpayers who have elected to use the composite method of Notice 88-100. See Rev. Proc. 2002-74, 2002-2 C.B. 980.

Table 1 (part A)
Factors for Discounting Unpaid Losses Under Section 846 (percent)
For the First Taxable Year Beginning After December 31, 2017
Short-Tail Lines of Business

Accident Year	Auto Physical Damage	Fidelity/Surety	Financial Guaranty/ Mortgage Guaranty	International	Other*
2018	98.2924	95.7528	95.5027	96.0825	96.9295
2017	96.9631	96.9631	96.9631	96.9631	96.9631
Years before 2017	98.4640	98.4640	98.4640	98.4640	98.4640

* For Accident and Health lines of business (other than disability income or credit disability insurance), the discount factor for taxable year 2018 is 98.4640 percent.

Table 1 (part B)
Factors for Discounting Unpaid Losses Under Section 846 (percent)
For the First Taxable Year Beginning After December 31, 2017
Short-Tail Lines of Business

Accident Year	Reinsurance - Nonproportional Assumed Financial Lines	Reinsurance - Nonproportional Assumed Liability	Reinsurance - Nonproportional Assumed Property	Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary & Theft)	Warranty	Short-Tail Composite
2018	95.3460	94.5342	96.0638	97.3657	98.0866	96.8171
2017	96.9631	96.9631	96.9631	96.9631	96.9631	96.9631
Years before 2017	98.4640	98.4640	98.4640	98.4640	98.4640	98.4640

Table 2 (part A)
Factors for Discounting Unpaid Losses Under Section 846 (percent)
For the First Taxable Year Beginning After December 31, 2017
Long-Tail Lines of Business

Accident Year	Commercial Auto/Truck Liability/Medical	Medical Professional Liability - Claims-Made	Medical Professional Liability - Occurrence	Multiple Peril Lines	Other Liability - Claims-Made	Other Liability - Occurrence
2018	93.7136	91.1847	86.1703	95.0382	90.3833	88.7841
2017	94.4581	92.2226	88.3371	93.3147	91.2289	89.6647
2016	95.0089	92.4524	89.9455	93.6251	91.7605	90.2415
2015	95.0495	92.7481	91.3552	92.8232	91.8038	90.4153
2014	94.9245	92.8961	92.3529	90.9251	91.6496	90.1639
2013	94.7625	92.9180	93.1329	91.1314	92.1818	90.2353
2012	95.0535	93.9081	93.9891	90.8234	92.6788	90.2570
2011	94.6859	94.8439	94.7064	90.5036	93.4801	91.5250
2010	96.1971	95.7805	95.8926	93.1447	94.6287	92.1970
2009	98.2598	97.6158	97.6580	94.5519	96.4911	94.1762
<u>Taxpayer Not Using the Composite Method</u>						
2008	98.4640	98.4640	98.4640	95.9642	97.8837	95.6063
2007	98.4640	98.4640	98.4640	97.3555	98.4640	97.0517
Years before 2007	98.4640	98.4640	98.4640	98.4640	98.4640	98.4640
<u>Taxpayer Using the Composite Method</u>						
Years before 2009	98.4640	98.4640	98.4640	96.7357	97.9777	96.5363

Table 2 (part B)
Factors for Discounting Unpaid Losses Under Section 846 (percent)
For the First Taxable Year Beginning After December 31, 2017
Long-Tail Lines of Business

Accident Year	Private Passenger Auto Liability/Medical	Products Liability - Claims-Made	Products Liability - Occurrence	Workers' Compensation	Long-Tail Composite
2018	95.4241	85.1518	87.1543	87.4184	92.3564
2017	95.0203	85.6347	88.5453	85.8424	91.2748

2016	94.9784	87.5083	89.3276	84.6991	90.9788
2015	94.5984	82.9398	90.7045	83.1346	89.7633
2014	93.9009	84.2812	89.3185	82.5478	88.1393
2013	93.9524	85.6749	89.3669	81.9913	88.0168
2012	94.2025	87.1293	90.3357	82.3684	87.9945
2011	94.7658	88.4262	91.3398	83.2518	88.5587
2010	95.3902	89.7489	91.7494	83.8871	89.8408
2009	97.5924	91.0980	94.0873	85.8606	91.6956

Taxpayer Not Using the Composite Method

2008	98.4640	92.4736	95.5247	87.1320	93.0752
2007	98.4640	93.8753	96.9877	88.4289	94.4760
2006	98.4640	95.3017	98.4640	89.7517	95.8902
2005	98.4640	96.7473	98.4640	91.1009	97.2894
2004	98.4640	98.1839	98.4640	92.4766	98.4640
2003	98.4640	98.4640	98.4640	93.8785	98.4640
2002	98.4640	98.4640	98.4640	95.3051	98.4640
2001	98.4640	98.4640	98.4640	96.7511	98.4640
2000	98.4640	98.4640	98.4640	98.1886	98.4640
Years before 2000	98.4640	98.4640	98.4640	98.4640	98.4640

Taxpayer Using the Composite Method

Years before 2009	98.464	94.4219	96.4942	90.7644	94.8105
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Table 3 (part A)
Factors for Discounting Unpaid Losses Under Section 846 (percent)
For the Taxable Year Preceding the First Taxable Year Beginning After December 31, 2017
Short-Tail Lines of Business

Accident Year	Auto Physical Damage	Fidelity/Surety	Financial Guaranty/ Mortgage Guaranty	International	Other*
2017	98.2924	95.7528	95.5027	96.0825	96.9295
2016	96.9631	96.9631	96.9631	96.9631	96.9631
Years before 2016	98.4640	98.4640	98.4640	98.4640	98.4640

* For Accident and Health lines of business (other than disability income or credit disability insurance), the discount factor for taxable year 2017 is 98.4640 percent.

Table 3 (part B)
Factors for Discounting Unpaid Losses Under Section 846 (percent)
For the Taxable Year Preceding the First Taxable Year Beginning After December 31, 2017
Short-Tail Lines of Business

Accident Year	Reinsurance - Nonproportional Assumed Financial Lines	Reinsurance - Nonproportional Assumed Liability	Reinsurance - Nonproportional Assumed Property	Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary & Theft)	Warranty	Short-Tail Composite
2017	95.3460	94.5342	96.0638	97.3657	98.0866	96.8171
2016	96.9631	96.9631	96.9631	96.9631	96.9631	96.9631
Years before 2016	98.4640	98.4640	98.4640	98.4640	98.4640	98.4640

Table 4 (part A)
Factors for Discounting Unpaid Losses Under Section 846 (percent)
For the Taxable Year Preceding the First Taxable Year Beginning After December 31, 2017
Long-Tail Lines of Business

Accident Year	Commercial Auto/Truck Liability/Medical	Medical Professional Liability - Claims-Made	Medical Professional Liability - Occurrence	Multiple Peril Lines	Other Liability - Claims-Made	Other Liability - Occurrence
2017	93.7136	91.1847	86.1703	95.0382	90.3833	88.7841
2016	94.4581	92.2226	88.3371	93.3147	91.2289	89.6647
2015	95.0089	92.4524	89.9455	93.6251	91.7605	90.2415
2014	95.0495	92.7481	91.3552	92.8232	91.8038	90.4153
2013	94.9245	92.8961	92.3529	90.9251	91.6496	90.1639
2012	94.7625	92.9180	93.1329	91.1314	92.1818	90.2353
2011	95.0535	93.9081	93.9891	90.8234	92.6788	90.2570
2010	94.6859	94.8439	94.7064	90.5036	93.4801	91.5250
2009	96.1971	95.7805	95.8926	93.1447	94.6287	92.1970
2008	98.2598	97.6158	97.6580	94.5519	96.4911	94.1762
Taxpayer Not Using the Composite Method						
2007	98.4640	98.4640	98.4640	95.9642	97.8837	95.6063
2006	98.4640	98.4640	98.4640	97.3555	98.4640	97.0517
Years before 2006	98.4640	98.4640	98.4640	98.4640	98.4640	98.4640

Taxpayer Using the Composite Method

Years before 2008 98.4640 98.4640 98.4640 96.7357 97.9777 96.5363

Table 4 (part B)

**Factors for Discounting Unpaid Losses Under Section 846 (percent)
For the Taxable Year Preceding the First Taxable Year Beginning After December 31, 2017
Long-Tail Lines of Business**

Accident Year	Private Passenger Auto Liability/ Medical	Products Liability - Claims-Made	Products Liability - Occurrence	Workers' Compensation	Long-Tail Composite
2017	95.4241	85.1518	87.1543	87.4184	92.3564
2016	95.0203	85.6347	88.5453	85.8424	91.2748
2015	94.9784	87.5083	89.3276	84.6991	90.9788
2014	94.5984	82.9398	90.7045	83.1346	89.7633
2013	93.9009	84.2812	89.3185	82.5478	88.1393
2012	93.9524	85.6749	89.3669	81.9913	88.0168
2011	94.2025	87.1293	90.3357	82.3684	87.9945
2010	94.7658	88.4262	91.3398	83.2518	88.5587
2009	95.3902	89.7489	91.7494	83.8871	89.8408
2008	97.5924	91.0980	94.0873	85.8606	91.6956

Taxpayer Not Using the Composite Method

2007	98.4640	92.4736	95.5247	87.1320	93.0752
2006	98.4640	93.8753	96.9877	88.4289	94.4760
2005	98.4640	95.3017	98.4640	89.7517	95.8902
2004	98.4640	96.7473	98.4640	91.1009	97.2894
2003	98.4640	98.1839	98.4640	92.4766	98.4640
2002	98.4640	98.4640	98.4640	93.8785	98.4640
2001	98.4640	98.4640	98.4640	95.3051	98.4640
2000	98.4640	98.4640	98.4640	96.7511	98.4640
1999	98.4640	98.4640	98.4640	98.1886	98.4640
Years before 1999	98.4640	98.4640	98.4640	98.4640	98.4640

Taxpayer Using the Composite Method

Years before 2008 98.464 94.4219 96.4942 90.7644 94.8105

SECTION 5. APPLICATION OF DISCOUNT FACTORS IN SUBSEQUENT YEARS

Unless revised discount factors have been published, any taxpayer using

discount factors prescribed herein to compute discounted unpaid losses under § 846 in the first taxable year beginning after December 31, 2017, must use the discount factors prescribed in Tables 5 and 6 in subsequent taxable years for purposes of determining the unpaid losses and expenses unpaid (as defined in § 832(b)(5) and (6)) attributable to accident year 2018, the unpaid losses (as defined in §§ 805(a)(1) and 807(c)(2)) attributable to accident year 2018, and salvage recoverable attributable to accident year 2018.

Table 5 (part A)
Factors for Discounting Unpaid Losses Under Section 846 (percent)
For Losses Incurred in Accident Year 2018 in Short-Tail Lines of Business

Taxable Year Beginning in	Auto Physical Damage	Fidelity/Surety	Financial Guaranty/ Mortgage Guaranty	International	Other*
2018	98.2924	95.7528	95.5027	96.0825	96.9295
2019	96.9631	96.9631	96.9631	96.9631	96.9631
<u>Taxpayer Not Using Composite Method</u>					
Years after 2019	98.4640	98.4640	98.4640	98.4640	98.4640
<u>Composite Discount Factors</u>					
2020	98.4640	98.4640	98.4640	98.4640	98.4640
Years after 2020	Use composite discount factors published for the relevant accident year.**				

* For Accident and Health lines of business (other than disability income or credit disability insurance), the discount factor for taxable year 2018 is 98.4640 percent. For later years, the discount factor for losses incurred in 2018 is the discount factor published for Accident and Health lines of business for losses incurred in the accident year coinciding with the taxable year.

**The relevant accident year is the accident year that is two years prior to the specified taxable year.

Table 5 (part B)
Factors for Discounting Unpaid Losses Under Section 846 (percent)
For Losses Incurred in Accident Year 2018 in Short-Tail Lines of Business

Taxable Year Beginning in	Reinsurance - Nonproportional Assumed Financial Lines	Reinsurance - Nonproportional Assumed Liability	Reinsurance - Nonproportional Assumed Property	Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary & Theft)	Warranty	Short-Tail Composite
2018	95.3460	94.5342	96.0638	97.3657	98.0866	96.8171
2019	96.9631	96.9631	96.9631	96.9631	96.9631	96.9631
<u>Taxpayer Not Using Composite Method</u>						
Years after 2019	98.4640	98.4640	98.4640	98.4640	98.4640	98.4640
<u>Composite Discount Factors</u>						
2020	98.4640	98.4640	98.4640	98.4640	98.4640	98.4640
Years after 2020	Use composite discount factors published for the relevant accident year.**					

**The relevant accident year is the accident year that is two years prior to the specified taxable year.

Table 6 (part A)
Factors for Discounting Unpaid Losses Under Section 846 (percent)
For Losses Incurred in Accident Year 2018 in Long-Tail Lines of Business

Taxable Year Beginning in	Commercial Auto/Truck Liability/Medical	Medical Professional Liability - Claims-Made	Medical Professional Liability - Occurrence	Multiple Peril Lines	Other Liability - Claims-Made	Other Liability - Occurrence
2018	93.7136	91.1847	86.1703	95.0382	90.3833	88.7841
2019	94.4581	92.2226	88.3371	93.3147	91.2289	89.6647
2020	95.0089	92.4524	89.9455	93.6251	91.7605	90.2415
2021	95.0495	92.7481	91.3552	92.8232	91.8038	90.4153
2022	94.9245	92.8961	92.3529	90.9251	91.6496	90.1639
2023	94.7625	92.9180	93.1329	91.1314	92.1818	90.2353
2024	95.0535	93.9081	93.9891	90.8234	92.6788	90.2570
2025	94.6859	94.8439	94.7064	90.5036	93.4801	91.5250

2026	96.1971	95.7805	95.8926	93.1447	94.6287	92.1970
2027	98.2598	97.6158	97.6580	94.5519	96.4911	94.1762
<u>Taxpayer Not Using Composite Method</u>						
2028	98.4640	98.4640	98.4640	95.9642	97.8837	95.6063
2029	98.4640	98.4640	98.4640	97.3555	98.4640	97.0517
Years after 2029	98.4640	98.4640	98.4640	98.4640	98.4640	98.4640
<u>Composite Discount Factors</u>						
2028	98.4640	98.4640	98.4640	96.7357	97.9777	96.5363
Years after 2028	Use composite discount factors published for the relevant accident year.*					

*The relevant accident year is the accident year that is ten years prior to the specified taxable year.

Table 6 (part B)
Factors for Discounting Unpaid Losses Under Section 846 (percent)
For Losses Incurred in Accident Year 2018 in Long-Tail Lines of Business

Taxable Year Beginning in	Private Passenger Auto Liability/ Medical	Products Liability - Claims-Made	Products Liability - Occurrence	Workers' Compensation	Long-Tail Composite
2018	95.4241	85.1518	87.1543	87.4184	92.3564
2019	95.0203	85.6347	88.5453	85.8424	91.2748
2020	94.9784	87.5083	89.3276	84.6991	90.9788
2021	94.5984	82.9398	90.7045	83.1346	89.7633
2022	93.9009	84.2812	89.3185	82.5478	88.1393
2023	93.9524	85.6749	89.3669	81.9913	88.0168
2024	94.2025	87.1293	90.3357	82.3684	87.9945
2025	94.7658	88.4262	91.3398	83.2518	88.5587
2026	95.3902	89.7489	91.7494	83.8871	89.8408
2027	97.5924	91.0980	94.0873	85.8606	91.6956
<u>Taxpayer Not Using Composite Method</u>					
2028	98.4640	92.4736	95.5247	87.1320	93.0752
2029	98.4640	93.8753	96.9877	88.4289	94.4760
2030	98.4640	95.3017	98.4640	89.7517	95.8902
2031	98.4640	96.7473	98.4640	91.1009	97.2894
2032	98.4640	98.1839	98.4640	92.4766	98.4640
2033	98.4640	98.4640	98.4640	93.8785	98.4640
2034	98.4640	98.4640	98.4640	95.3051	98.4640
2035	98.4640	98.4640	98.4640	96.7511	98.4640

2036	98.4640	98.4640	98.4640	98.1886	98.4640
Years after 2036	98.4640	98.4640	98.4640	98.4640	98.4640

Composite Discount Factors

2028	98.464	94.4219	96.4942	90.7644	94.8105
Years after 2028	Use composite discount factors published for the relevant accident year.*				

*The relevant accident year is the accident year that is ten years prior to the specified taxable year.

SECTION 6. REVISED DISCOUNT FACTORS

.01 If revised unpaid loss discount factors for the 2018 accident year are published after final regulations are published in the Federal Register, the Treasury Department and IRS propose to issue guidance providing that taxpayers must use, for taxable years ending on or after the date the final regulations are published, the revised discount factors for purposes of determining, for all accident years ending with or before calendar year 2018, the unpaid losses and expenses unpaid (as defined in § 832(b)(5) and (6)) and the unpaid losses (as defined in §§ 805(a)(1) and 807(c)(2)).

.02 The Treasury Department and IRS propose that such guidance would instruct any taxpayer that used the discount factors prescribed in this revenue procedure in a taxable year beginning after December 31, 2017, and that does not amend the return filed for such taxable year to use the revised discount factors, to take into account the difference between the amount of the TCJA adjustment determined using the unpaid loss discount factors prescribed in this revenue procedure and the amount of the TCJA adjustment determined using the revised unpaid loss discount factors. The difference would be taken into account ratably over the taxable years remaining in the TCJA period of adjustment, beginning with the first taxable year in which the taxpayer uses the revised discount factors.

.03 Such guidance would also instruct any taxpayer that used the discount factors prescribed in this revenue procedure in a taxable year beginning after December 31, 2017, and that does not amend the return filed for such taxable year to use the revised discount factors, to compute, with respect to the last taxable year in which the discount factors prescribed in this revenue procedure were used, the adjustment to the amount of the discounted unpaid losses under § 846 at the end of that taxable year and the amount of discounted estimated salvage recoverable under § 832 at the end of that taxable year due to computing those amounts using the revised discount factors rather than the discount factors prescribed in this revenue procedure. The adjustment would be computed as follows: (1) from discounted unpaid losses computed using the discount factors prescribed in this revenue procedure subtract discounted unpaid losses computed using the revised discount factors, and (2) to the result so obtained, add estimated salvage computed using the revised discount factors and subtract estimated salvage computed using the discount factors prescribed in this revenue procedure. A positive adjustment would be taken into account as an addition to gross income, and a negative adjustment would be taken into account as a reduction to gross income. The adjustment would be taken into account either (1) in the first taxable year in which the taxpayer uses the revised discount factors, or (2) ratably over the taxable years remaining in the TCJA period of adjustment, beginning with the first taxable year in which the taxpayer uses the revised discount factors. For the first taxable year in which a taxpayer uses the revised discount factors, the taxpayer would determine each of the following as if the revised discount factors had applied in the preceding taxable year:

(1) the unpaid losses and expenses unpaid (as defined in § 832(b)(5) and (6)) at the end of the preceding taxable year, (2) the unpaid losses (as defined in §§ 805(a)(1) and 807(c)(2)) at the end of the preceding taxable year, and (3) the estimated salvage recoverable under § 832 at the end of the preceding taxable year.

SECTION 7. REQUEST FOR COMMENTS

The Treasury Department and IRS request comments on the proposed guidance described in section 6 of this revenue procedure. Comments should be submitted in writing on or before February 6, 2019, and should contain a reference to this Rev. Proc. 2019-06. All comments will be available for public inspection and copying. Comments may be submitted in one of three ways:

- (1) By mail to Internal Revenue Service, CC:PA:LPD:PR (Rev. Proc. 2019-06), Room 5203, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044.
- (2) Electronically to Notice.Comments@irs.counsel.treas.gov. Please include “Rev. Proc. 2019-06” in both the body of the comment and on the subject line of any electronic communications. Alternatively, taxpayers may submit comments electronically via the Federal eRulemaking Portal at www.regulations.gov (type IRS-2018-0043 in the search field on the [regulations.gov](http://www.regulations.gov) homepage to find this notice and submit comments).
- (3) By hand-delivery Monday through Friday between the hours of 8 a.m. and 4 p.m. to CC:PA:LPD:PR (Rev. Proc. 2019-06), Courier’s Desk, Internal Revenue Service, 1111 Constitution Ave., NW, Washington, DC 20224.

SECTION 8. DRAFTING INFORMATION

The principal author of this revenue procedure is Kathryn M. Sneade of the Office of Associate Chief Counsel (Financial Institutions & Products). For further information regarding this revenue procedure contact Ms. Sneade at (202) 317-6995 (not a toll free call).